United Nations A/61/173

General Assembly

Distr.: General
21 July 2006

Original: English

Sixty-first session
Item 55 (a) of the provisional agenda*
Groups of countries in special situations: Third United Nations Conference on the Least Developed Countries

Midterm comprehensive global review of the implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010

Report of the Secretary-General**

Summary

Over the past five years, both the least developed countries and their development partners progressed in implementing the actions assigned to them in the Brussels Programme of Action for the Least Developed Countries for the Decade 2001-2010. The least developed countries strengthened their policy and governance, reform efforts, and development partners provided increased development assistance, enhanced debt relief and some additional trade opportunities.

These efforts produced tangible results in the least developed countries. Economic growth for the group of 50 countries has risen towards the target of 7 per cent, and there has been progress towards several quantitative goals for human development. However, the improvement has been modest in many instances and, for most inhabitants of the least developed countries, the absolute levels of deprivation remain higher than in other developing countries and income poverty is largely unchanged. More substantial success remains dependent on full delivery by all stakeholders on their commitments in the Brussels Programme.

Least developed countries should continue to improve governance, including by building human and institutional capacities, and should give greater attention to gender equality, agriculture, infrastructure and HIV/AIDS. Development partners, including other developing countries, should continue to increase their support to the

* A/61/150.

** Delay in submission of this report was due to the requirement to take into account the relevant meetings that took place in June-July 2006.

06-43979 (E) 140806

least developed countries. All developed countries should strive to reach the agreed quantitative and qualitative goals for their official development assistance to the least developed countries. Efforts to reduce external debt in the least developed countries should be sustained. Commitments to reduce the obstacles to exports from least developed countries should be translated into action without delay and least developed countries should be assisted in developing the capacity to use such opportunities. The United Nations and its agencies, funds and programmes should enhance their support to the least developed countries and their efforts to improve the effectiveness of that support.

The private sector should seize the investment opportunities that are becoming available in the least developed countries. Civil society, in the least developed countries and elsewhere, should sustain its actions in support of these countries.

Contents

		Paragraphs	Page
I.	Introduction	1–3	3
II.	Progress in the implementation of the Brussels Programme	4–33	3
	A. National level	4–16	3
	B. Regional and South-South cooperation	17–18	8
	C. Global level	19–33	9
III.	Priorities for future action	34–63	13
	A. National level	35–53	13
	B. Regional cooperation	54–55	19
	C. South-South cooperation	56	19
	D. Global level	57–63	20
IV.	Conclusion	64	22

I. Introduction

1. The present report is submitted in response to General Assembly resolution 60/228 of 23 December 2005.

2. The overarching objective of the Brussels Programme of Action for the Least Developed Countries for the Decade 2001-2010 is "to make substantial progress towards halving the proportion of people living in extreme poverty and suffering from hunger by 2015 and promote the sustainable development of the least developed countries" (para. 6). It constitutes a comprehensive poverty reduction strategy tailored to the special needs of the least developed countries that is to be implemented through cooperation between the least developed countries and their development partners. It comprises seven commitments, namely:

(a) Fostering a people-centred policy framework;

(b) Good governance at national and international levels;

(c) Building human and institutional capacities;

(d) Building productive capacities to make globalization work for the least developed countries;

(e) Enhancing the role of trade in development;

(f) Reducing vulnerability and protecting the environment;

(g) Mobilizing financial resources.

3. Individual least developed countries, United Nations system entities, other international organizations and regional and subregional organizations have prepared contributions to the midterm review. In addition, the least developed countries adopted a Declaration and the Cotonou Strategy for the Further Implementation of the Brussels Programme at their Ministerial Conference in June 2006 and the President of the General Assembly presented a summary of hearings with civil society and the private sector.[1] Furthermore, the latest annual report of the Secretary-General on the implementation of the Brussels Programme (A/61/82-E/2006/74) contains an assessment of the fulfilment by the least developed countries and their development partners of the seven commitments and a quantitative review of progress. The present report provides a midterm overview of the Programme's progress and proposals for future priorities.

II. Progress in the implementation of the Brussels Programme

A. National level

4. In 2004, the General Assembly decided to graduate Cape Verde and Maldives from the list of least developed countries after a period of smooth transition. This decision is a reflection of these countries' successful development efforts and provides testimony to the fact that, with sound national management of development and with international support, it is possible for individual least developed countries

[1] Available at http://www.un.org/ohrlls.

to break out of their poverty trap. However, following graduation, countries may need continued international support to advance their achievements.

1. Economic growth

5. Even before the adoption of the Brussels Programme, most least developed countries had begun to improve their macroeconomic management; those efforts resulted in reduced fiscal deficits, lower rates of inflation and reduced external deficits. Governments in most least developed countries have introduced a wide array of microeconomic measures, including the privatization of State-owned enterprises and an easing of regulations on businesses, aimed at stimulating the private sector and improving efficiency. Changes in external sector policies have been manifested in unilateral trade liberalization, more flexible exchange rates, currency depreciation and liberalized foreign investment regimes.

6. The economic performance of the least developed countries as a group began to strengthen during the latter 1990s, rising from around 2 per cent from 1991 to 1995 to about 5 per cent from 1996 to 2000 and 6½ per cent from 2001 to 2005. Since 2001, the least developed countries have generally grown faster than other developing countries, significantly so if China and India are excluded. In 2004 and 2005, economic growth for the group rose close to the target of 7 per cent called for in the Brussels Programme (see table 1), with at least ten individual least developed countries achieving that target; a similar number of countries had growth of less than 3 per cent in 2005, leaving the majority with growth rates in between.

Table 1
Selected indicators of progress in the least developed countries, 2000-2005

	2000	*2001*	*2002*	*2003*	*2004*	*2005*
Economic growth						
Growth of output (per cent per year)[a]	4.8	6.5	6.3	6.7	6.7	6.9
Growth of exports (current dollar prices, per cent per year)[b]	24.7	0.2	9.3	16.6	25.9	
Hunger						
Proportion of population undernourished (per cent)			19[c]			
Education (per cent)						
Primary gross enrolment rate — female	73.2	75.1	79.4	81.8	85.2	
Primary gross enrolment rate — male	84.6	86.0	90.2	92.6	96.4	
Primary completion rate — female					49.5	
Primary completion rate — male					57.2	
Secondary gross enrolment ratio — female	23.6	24.6	25.9	26.2	27.0	
Secondary gross enrolment rate — male	29.0	30.6	31.9	32.4	33.4	
Tertiary gross enrolment ratio — female	2.9	3.0	3.0	3.1	3.2	
Tertiary gross enrolment rate — male	4.4	4.8	4.8	5.0	5.0	
Youth literacy — female					56.8	
Youth literacy — male					71.0	
Gender equity/governance						
Proportion of parliamentary seats held by females	7.5		11.3			12.7

	2000	2001	2002	2003	2004	2005
Housing						
Slum population (millions)		140.1				
Proportion of urban population in slums (per cent)		78.2				
Access to information and communications technologies (per 100 population)[f]						
Telephone lines and cellular subscribers			1.7		3.2	
Personal computers	0.3		0.4		0.8	
Internet users	0.1		0.3		0.7	
Environmental sustainability						
Proportion of territory biologically protected	9.3	9.4	9.5	9.5	9.5	9.5
Consumption of ozone-depleting substances (ozone-depleting potential (ODP) tons)	4 665				2 964	
Consumption of ozone-depleting chlorofluorocarbons (ODP tons)	4 130				2 655	

[a] *World Economic Situation and Prospects as of mid-2006*, available at www.un.org/esa/policy/wess/wesp.html.
[b] UNCTAD, *Handbook of Statistics 2005*.
[c] FAO, as reflected in Millennium Indicators database.
[d] Average for 2001-2003.
[e] UNESCO, as reflected in Millennium Indicators database.
[f] ITU, as reflected in Millennium Indicators database.

7. Part of the improvement in economic performance since 2001 can be attributed to the reversal of the previous downward trend in commodity prices (see table 2). Some least developed countries have achieved double-digit rates of growth as a result of the discovery of oil and/or the rebound in oil prices. Similarly, the surge in minerals prices has resulted in new investment. These oil- and minerals-related expenditures are the primary reason for a gradual increase in the ratio of investment to gross domestic product in the least developed countries in the past few years.

Table 2
Global environment facing least developed countries, 2000-2005

	2000	2001	2002	2003	2004	2005
Economic growth (per cent per year, weighted average)						
World	4.0	1.4	1.8	2.6	4.0	3.2
Developed countries	3.5	1.1	1.2	1.9	3.2	2.4
Developing countries excl. least developed countries (LDCs)	5.6	2.6	3.9	5.1	6.9	6.1
World trade	10.8	-0.9	3.0	6.4	11.0	7.1
International commodity prices (index: 2000=100)						
Oil	100	84	88	102	131	183
Non-oil commodities — dollar index	100	96	97	105	126	141
— Food	100	103	102	104	119	127

	2000	2001	2002	2003	2004	2005
– Tropical beverages	100	79	89	94	100	126
– Vegetable oil-seeds and oils	100	94	117	137	155	141
– Agricultural raw materials	100	96	94	112	123	132
– Minerals and metals	100	89	87	98	137	173
Manufactured exports	100	100	99	99	112	126
Access to markets of developed countries						
Proportion of exports admitted duty-free (ex arms and oil)	69	70	73	75	79	
Average tariffs of developed countries on:						
– Agricultural exports from LDCs	3.6	3.5	3.2	3.4	3.4	
– Textile exports from LDCs	4.5	3.6	3.9	3.6	3.5	
– Clothing exports from LDCs	9.4	8.7	8.6	7.7	7.5	
Financial flows						
Official development assistance from Development Assistance Committee (DAC) countries						
– Total ($ billion)		12.9	15.9	22.3	23.5	
– Share of DAC gross national income (per cent)	0.05	0.05	0.06	0.08	0.08	
– Social sectors ($ billion)	3.8	6.8	8.3	10.4	10.7	
Debt service (share of exports (per cent))	11.3	10.1	9.1	7.9	8.2	
Foreign direct investment ($ billion)		77.5	78.0	80.5		
United Nations system expenditures on operational expenditures ($ million)	1 872.3	2 177.6	2 215.5	3 062.2	3 364.1	

2. Poverty and hunger

8. Most least developed countries have adjusted their development strategies and actions to give greater attention to poverty reduction, frequently through the preparation of a Poverty Reduction Strategy Paper, a requirement introduced by the International Monetary Fund and World Bank in 1999 for debt relief under the HIPC initiative. As of 31 May 2006, 35 least developed countries had prepared at least one such Strategy Paper. In addition to a poverty-reduction goal, most Strategy Papers include targets in such related areas as malnutrition, maternal and child health, school enrolment and access to safe water. The recent experience of least developed countries provides evidence of the tenuous nature of the relationship between economic growth and poverty reduction. The limited data on recent trends in poverty in least developed countries suggest that there has been a negligible decline, and even some increases, in income poverty. At present, least developed countries are considered to be the countries least likely able to achieve the goal of reducing the rate of poverty by half by 2015. Almost every least developed country, except some experiencing conflict, has been able to reduce malnutrition, but it remains unacceptably high; it is pervasive in about one fifth of least developed countries and is periodically aggravated by droughts, conflict and other such events beyond the control of those affected. Malnutrition remains acute among those under five years of age in more than one third of least developed countries.

3. Human development

9. Health and education account for an increasing proportion of Government expenditure in most least developed countries. Development partners also increased resource flows to these sectors and the joint effort is beginning to show results. For example, there are some signs of a decline in maternal mortality, although the ratio remains high in most least developed countries. Likewise, both infant and child mortality are declining, albeit only slowly in the case of infants. Polio transmission is expected to be eliminated in the least developed countries by the end of 2006. There has also been an apparent decline in new cases of HIV/AIDS in the most affected least developed countries in Africa. Nevertheless, about one-quarter of those afflicted by HIV/AIDS live in the least developed countries. The disease is primarily a matter of human well-being, but it also threatens the development and retention of human capacity. One of its secondary health effects is an increase in tuberculosis; even when HIV/AIDS is not a major cause, the incidence of tuberculosis remains high. Malaria remains similarly widespread in many least developed countries, particularly in Africa.

10. In education, there has been substantial progress towards universal primary enrolment, with consequent progress towards gender equality at this level. The data suggest less progress at the secondary and tertiary levels and in adult literacy, including with respect to gender equality. However, improvement at the primary level should contribute to better outcomes at higher levels, as well as in adult literacy, in coming years.

4. Information and communications technology

11. Access to telephones and computers in least developed countries has increased rapidly (see table 2), suggesting that the targets for telephone density and Internet connections (para. 43 (f) in the Brussels Programme) might be met. Dissemination of these technologies has reached rural areas, even the poorest. Evidence suggests that use of such technologies has had a direct impact on poverty through various channels. The least developed countries remain far behind the rest of the world in the use of new technologies but recent progress demonstrates the speed with which information and communications technologies can be introduced and how they can improve the welfare of individuals in least developed countries, including by reducing poverty and gender inequality.

5. Governance

12. Overall, there has been a diminution in conflict in the least developed countries since 2001, particularly in Africa, and this has been a critical factor in improving development prospects. Nevertheless, the least developed countries continue to suffer disproportionately from conflict, which suggests that poverty and underdevelopment, in combination with other factors, could provide a breeding ground for unrest. Of 16 United Nations peace operations active in 2006, half are in least developed countries and civil unrest or worse has erupted or festers in a number of other least developed countries. Outside Africa, recent years have seen unrest in some least developed countries in Asia, as well as periodic resurgences of violence in Haiti. Some of these cases reflect the fact that international support in post-conflict situations has not always corresponded to the long-term nature of the peacebuilding process.

13. Most least developed countries have taken steps to improve domestic governance. Elections are now almost universal, with numerous presidential and legislative elections and referendums in the least developed countries since 2001. Voter participation has generally been high and female participation and representation in elected bodies has increased. There has also been judicial and legal reform and more attention to the rule of law and human rights.

14. In most least developed countries, civil society and the public at large have been given a larger role in determining development priorities, through not only parliamentary processes but also community participation in decision-making at the local level. Civil society organizations are increasingly participating in the design and delivery of development programmes and projects and in monitoring each Government's effectiveness, as well as the extent and impact of donors' and programmes.

15. Many least developed countries have undertaken reforms of the public sector aimed at enhancing efficiency and effectiveness. The impact of public expenditure on the poor has been enhanced in many least developed countries by efforts to improve the delivery of services, measure results and provide for accountability. Reducing corruption has been one element of this endeavour.

16. In some cases, improvements in governance in individual countries are being reinforced by inter-country arrangements, such as the African Peer Review Mechanism, the African Union Convention on Preventing and Combating Corruption and, at the sectoral level, the Extractive Industries Transparency Initiative, which aims to strengthen accountability and ensure the prudent use of revenues from natural resources, and the Kimberley process, which aims to ensure that diamonds offered for sale on international markets were not obtained illegally from war-torn countries.

B. Regional and South-South cooperation

17. The least developed countries participate in a variety of regional cooperation arrangements with other developing countries. In Africa, the least developed countries comprise the majority in many regional and subregional arrangements, so that the focus of these groupings often coincides with the priorities of the least developed countries. In Asia, where the least developed countries lack numerical superiority, some of the subregional organizations that include both least developed countries and non-least developed countries, such as the South Asian Association for Regional Cooperation, have agreed on a number of measures in favour of their least developed countries members.

18. At the global level, two South Summits have furthered South-South cooperation. Within the United Nations, such cooperation is given importance by the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, the Special Unit for South-South Cooperation in the United Nations Development Programme and the United Nations Conference on Trade and Development. A number of global-level South-South arrangements give special attention to the least developed countries. The Organization of the Islamic Conference includes 22 least developed countries and, in 2005, launched a capacity-building programme to support a number of these members. The South-South Healthcare Delivery

Programme, established as a result of the South Summit in 2000, has provided assistance to a number of least developed countries. During the eleventh session of the United Nations Conference on Trade and Development in 2004, developing countries launched the third round of trade negotiations under the Generalized System of Trade Preferences in which they agreed to give special consideration to least developed countries. The Negotiating Group on Market Access has elaborated four stages of negotiations, with the conclusion scheduled for November 2006.

C. Global level

1. International economic environment

19. The international environment has been generally favourable to most least developed countries since 2001. Global economic growth has been led largely by the developing countries and trade among developing countries has grown faster than their trade with developed countries. The growth in the demand for raw materials, in large measure from China, has been particularly beneficial to a number of least developed countries.

20. The five oil-exporting least developed countries have benefited from the surge in oil prices since 2003, whereas others now face higher costs of oil imports. A further eight least developed countries are mineral exporters, eight are exporters of manufactures and eight are exporters of services, with the largest number being primarily exporters of agricultural commodities. The prices of non-oil commodities have reversed their lengthy downward drift since 2001, but they have not returned to levels of the past. Prices of manufactured exports have also increased, but less than commodity prices, so that the majority of least developed countries have seen their terms of trade improve. Higher oil prices are now eroding those improvements. International tourism and air transport grew strongly in a number of least developed countries, especially some island economies. However, many of these activities are vulnerable to fluctuations in the international economic environment, such as the global slowdown of 2001, to climatic and environmental factors and to natural disasters, such as the Asian tsunami of December 2004.

2. International cooperation for development

21. Since the adoption of the Brussels Programme, there has been a resurgence in international cooperation for development and the emergence of a wide degree of consensus on the actions required to achieve development, as reflected in the Monterrey Consensus and the Johannesburg Programme of Implementation. As part of the follow-up to earlier United Nations conferences, global meetings were convened to address the special situation of the small island developing States (of which 12 are least developed countries) and the landlocked developing countries (16 of which are also least developed countries). There has also been a continuing expansion of programmes to confront specific development challenges facing the world's poorest, such as those included in the Heavily Indebted Poor Countries Initiatives, the Education for All Fast Track Initiative, the Global Fund to Fight AIDS, Tuberculosis and Malaria and an array of others. Meanwhile, the international financial institutions have focused more keenly on poverty reduction and a number of donor Governments have adjusted their international assistance programmes to give greater attention to the

poorest countries and peoples. This sea change in the environment for international cooperation for development has been heavily oriented towards the poorest countries and peoples and different subsets of the least developed countries are among the main intended beneficiaries of many of the new initiatives. These related activities therefore complement and reinforce the Brussels Programme.

3. Official development assistance

22. The World Summit of September 2005 reiterated the call to donors to achieve the target in the Brussels Programme of from 0.15 to 0.20 per cent of the gross national income (GNI) of donor countries for official development assistance (ODA) to least developed countries. Measured in 2003 prices, ODA to the least developed countries rose by about 75 per cent between 2001 and 2004 and is likely to have increased further in 2005. However, ODA from developed countries to least developed countries was only 0.08 per cent of the former's GNI in 2004; seven donors met the 0.20 per cent target and a further two the 0.15 per cent target. Although not yet reflected in expenditures, there have been several commitments of additional ODA since 2004.[2] The least developed countries will be major beneficiaries of these new commitments.

23. Some innovative sources of development finance have moved from concepts to implementation since the adoption of the Brussels Programme. An International Finance Facility for Immunization is to become operational in 2006, some countries have decided to introduce an air ticket levy to mobilize resources for development and a system of advanced commitments to encourage the development of vaccines for tropical diseases is proceeding.

24. An increasing proportion of the external assistance for least developed countries is being directed to education and health (including water and sanitation); these sectors accounted for about a quarter of country-allocable donor commitments in 2004, i.e., more than the 20/20 goal mentioned in the Brussels Programme.

25. All entities of the United Nations system continue to give high priority to least developed countries, as reflected in their individual reports to the General Assembly.[3] Within the Secretariat, the establishment of the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States in 2002 by the General Assembly on the proposal of the Secretary-General has given high visibility to issues of concern to least developed countries and has enhanced mobilization of international support. At the field level, the United Nations system has a resident coordinator and country team in every least developed country except some Pacific islands. The reforms under the auspices of the United Nations Development Group have increased the synergies and effectiveness of the system, strengthening the support provided to least developed countries in their efforts to develop and implement country-owned development strategies and poverty reduction programmes. Quantitatively, the expenditures of the United Nations system on operational activities for development in least developed countries were 80 per cent higher in 2004 than in 2000.

26. Other developing countries are increasing resource flows to the least developed countries, including through South-South arrangements. Evidence points to growing flows of assistance from China. India is among other developing

[2] See OECD, *Journal on Development: Development Co-operation Report 2005* (Paris, 2006).

countries that are increasing their assistance to least developed countries. Information and communications technologies, technical assistance and training and educational opportunities are growing areas of South-South support for the least developed countries.

27. The quality of aid has improved, with progress towards country-ownership of internationally supported development activities and recognition by donors that conditionality is usually ineffective. Most ODA for the least developed countries is now provided in the context of an agreed Poverty Reduction Strategy Paper which, in principle, is prepared by the Government in collaboration with representatives of civil society and other stakeholders within the country. Donors are more willing to provide budgetary support and fund development activities undertaken by non-governmental actors.

28. Further progress towards improving the quality of aid is expected. In March 2005, over 100 countries and development institutions adopted the Paris Declaration on Aid Effectiveness, which identified four principles for donor assistance, enumerated 12 indicators to measure improvements in the quality of aid and set 2010 as the target date to achieve five goals in these areas. The European Union has set its own additional targets, largely aimed at reducing the managerial burden of aid on recipient countries.

4. External debt

29. Further measures were taken to reduce the external debt burden of several least developed countries. The ratio of debt service to exports of goods and services for the least developed countries as a group fell by about half between 1990 and 2004 and should decline further as a result of subsequent measures. The Enhanced Heavily Indebted Poor Countries Initiative has been extended until the end of 2006 and the list of eligible countries has been revised. Of the 40 countries that are now considered eligible for assistance under the Initiative, 32 are least developed countries. As an additional measure, the Multilateral Debt Relief Initiative was created in 2005 to cancel the debt owed by the heavily indebted poor countries to their major multilateral lenders. Of the 32 eligible least developed countries, 13 had reached the Heavily Indebted Poor Countries Initiative's completion point and were receiving irrevocable debt relief as of May 2006, including full multilateral debt cancellation under the Multilateral Debt Relief Initiative. A further nine least developed countries were receiving interim relief on their debt service payments and could receive full debt cancellation if they meet the necessary criteria. Political instability or special financial factors are impeding the consideration of the remaining cases. At the bilateral level, China has announced that it will cancel all its outstanding low-interest loans to a number of heavily indebted poor countries, including least developed countries, and India has also forgiven the debt of some least developed countries.

5. Private sector financial flows

30. Both foreign direct investment inflows and workers' remittances to Least Developed Countries are rising. Foreign direct investment began to expand in the latter part of the 1990s and has doubled since 2000. Much of this increase has, however, been prompted by discoveries of oil and higher mineral prices and has been concentrated in a small number of Least Developed Countries. The sources and

nature of foreign direct investment inflows are becoming more diversified as flows from developing countries increase and host Governments increasingly cooperate with the foreign business sector, sometimes in public-private partnerships. Inflows of workers' remittances to Least Developed Countries have significant potential for contributing directly to the alleviation of poverty and social integration, as well as to broader national development objectives.

31. Within developed countries, there has been a surge in private philanthropy and other support for the poorest developing countries. These activities focus on the delivery of services directly to the poor and often adopt innovative approaches. They have helped to introduce new techniques into the poverty alleviation practices of other agencies. Individuals from around the world continue to provide services to Least Developed Countries on a volunteer basis; in many instances, the costs of placing volunteers from developing countries are met by international and bilateral agencies in a form of triangular cooperation.

6. International trade

32. The adoption of the Brussels Programme took place during a period of optimism regarding the possibility of improving the international trading environment for the Least Developed Countries. The European Union introduced its "Everything but Arms" initiative for Least Developed Countries prior to the Brussels Conference and a number of other developed countries have eliminated or reduced the barriers to imports from all or some of the Least Developed Countries under the Generalized System of Preferences or a special regime (such as the United States African Growth and Opportunity Act). The negotiations under the World Trade Organization's Doha Development Agenda have made limited progress, although the Least Developed Countries have been the beneficiaries of the more significant outcomes to date. At the World Trade Organization Ministerial Meeting in December 2005, developed countries agreed to eliminate duties and quotas on imports from the Least Developed Countries accounted for by 97 per cent of each developed country's tariff lines. This arrangement will become effective by 2008 or no later than the start of the implementation of the outcome of the negotiations on the Doha Development Agenda. The Meeting also agreed that developing countries that were in a position to do so should adopt the same practice. The shortcoming of this arrangement is that, because most Least Developed Countries export only a relatively small number of products, the 3 per cent of tariff lines that are excluded could cover a large proportion of each Least Developed Country's exports.

33. The impact of the end of the World Trade Organization Agreement on Textiles and Clothing on 1 January 2005, in particular its quota system, has been mixed: a few Least Developed Countries have been able to increase their exports of textiles substantially but several smaller producers have been unable to compete under the liberalized regime. The unilateral tariff cuts by developed and developing countries since the adoption of the Brussels Programme appear to have been of limited benefit to Least Developed Countries.[3] Moreover, subsidies and non-tariff measures for agriculture in developed countries continue to act as a disincentive to agricultural production and exports in Least Developed Countries. For example, the agreement of the developed countries at the World Trade Organization Ministerial Meeting to abolish export subsidies on cotton in 2006 and to allow duty- and quota-free imports

[3] See World Bank, *Global Monitoring Report 2006* (Washington, D.C., 2006), table 3.5.

of cotton from Least Developed Countries is a step forward but is tempered by the fact that there was no agreement on eliminating the subsidies on domestic production. This experience highlights the need for special treatment within the global trading system for vulnerable economies, such as Least Developed Countries. Among the measures to help countries cope with the possible impact on the balance of payments of trade liberalization by trading partners, including the erosion of preferences, the International Monetary Fund introduced the Trade Integration Mechanism in 2004. Another difficulty is that, because they lack the infrastructure and productive capacity required to increase and diversify the production of exports, many Least Developed Countries are unable to utilize fully all the trade concessions that are already available to them. Recognizing this impediment, the Group of Seven announced increased funding for aid-for-trade in December 2004. Subsequently, the World Trade Organization Ministerial Meeting voiced support for "Aid for Trade", particularly for the Least Developed Countries, and established a Task Force to make recommendations on an enhanced Integrated Framework.[4] World Trade Organization members and participating agencies have since adopted the recommendations of the Task Force,[5] which address its scope, management and operations, governance, and monitoring and evaluation.

III. Priorities for future action

34. Most of the actions that need to be taken, both by Least Developed Countries and by development partners, to achieve the goals of the Brussels Programme are already detailed in the Programme itself or elsewhere. The challenge lies less in identifying new or additional actions than in ensuring that the agreed actions are implemented as quickly and widely as possible wherever they are appropriate. In many cases, improved results will depend in large measure on the availability of additional resources in various forms, such as sustaining the improvements in the provision of education and health services. In other cases, the challenge will be to facilitate or stimulate actions that will contribute to development, notably raising investment.

A. National level

35. Despite the need to attune actions to national conditions, experience to date suggests that there are a number of cross-cutting issues and a number of areas of activity that deserve special focus in many Least Developed Countries.

1. Nationally-owned development strategies

36. The Brussels Programme provides an overall framework and a menu of more than 150 potential actions to be taken by Least Developed Countries. There is also an array of other international agreements and sectoral programmes that relate to

[4] The Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries (IF), a joint undertaking of IMF, ITC, UNCTAD, UNDP, WTO and the World Bank, was created in 1997 and revamped in 2001 to mainstream trade into the LDCs' national development plans, to assist in the coordinated delivery of trade-related technical assistance, undertake trade-related capacity-building and to address supply constraints.

[5] See http://docsonline.wto.org/DDFDocuments/t/WT/ifsc/W15.doc.

Least Developed Countries, including proposals and recommendations on the policies and actions necessary to achieve the Millennium Development Goals. **The overriding objective for the remainder of the Brussels Programme must be to implement these various proposals to the extent and in a manner that is appropriate to each Least Developed Country. To this end and in conformity with the principle of country ownership, each Least Developed Country should prepare, as agreed at the World Summit, a nationally owned development strategy that translates global and sectoral goals into country-specific priorities, policies and actions appropriate to national circumstances.** These strategies should be anchored in 10-year horizons and a comprehensive assessment of each country's needs. Instead of targeting incremental improvements, given binding and often unchanging resource constraints, each country's strategy should identify obstacles, financial or otherwise, to achieving the Millennium Development Goals (MDGs). They should then identify the full set of investments and policies needed to overcome these obstacles and to achieve the MDGs by 2015.

37. **Ownership of these national strategies should devolve not only to the country itself but to the intended beneficiaries, namely communities and individuals. Their preparation should be as decentralized and inclusive as possible, involving the participation of civil society and local authorities and final endorsement by national legislative bodies. The strategies should focus on implementation and results and should include estimates of the financial and other resources required, schedules for implementation, trajectories of expected results and indicators of progress. They should be made widely known within the country and should be used as a basis for public accountability of all participants in the development process. Development partners should use them as the basis for their cooperation and support.**

2. Governance

38. **Least Developed Countries should build on their achievements in strengthening governance. As part of this effort, Least Developed Countries should aim to have separate legislative and executive branches of government. All citizens should be able to participate in the decisions that affect their lives, including through the involvement of civil society in public decision-making. The fundamental freedoms and human rights of the individual should be guaranteed so that personal initiatives can contribute to socio-economic development. Governments should promote a culture of lawfulness and enforce it through an independent judiciary and a just and effective system of crime prevention and criminal justice.**

39. **Least Developed Countries should continuously strive to improve the efficiency and effectiveness of all public institutions and government administrative procedures, including through e-Government. Fiscal and administrative matters should consider decentralization, as appropriate and possible, to encourage regional and local development, to enable Governments to respond to needs and to allow for widespread participation in government decision-making. Policies and procedures should be fully transparent to ensure that Governments and other public bodies are accountable for their activities. All Least Developed Countries should sign, ratify and implement the United Nations Convention against Corruption and should be assisted in retrieving funds that have been expropriated through corruption.**

40. In most Least Developed Countries, one of the causes of weak governance is the lack of a critical mass of skilled personnel in the public sector, exacerbated by fiscal stringency, the effects of outmigration (brain drain) and HIV/AIDS. **Governments of Least Developed Countries, with the support of their development partners, should endeavour to build human capacity in the public sector through training and other forms of capacity-building for both those entering and those already in the public service.** Earlier efforts to reduce the role of the Government in the economy and the focus on reforms and short-term macroeconomic equilibrium weakened the capacity of Governments to conceive and implement long-term development policies and programmes. **As part of the strengthening of the public service, the Governments of Least Developed Countries should build the capacity to undertake the longer-term strategic analysis that is required to achieve the objectives of the Brussels Programme. At the same time, Least Developed Countries should sustain their efforts to implement sound economic policies and to create domestic conditions that foster development, particularly investment.**

41. Increases in official development assistance, improvements in donor procedures and full ownership of their own development programmes will increase the responsibility of Least Developed Countries to demonstrate that they can take full and effective advantage of these new opportunities. **Strengthening the national aid machinery should be part of the Government's capacity-building effort.**

42. In many Least Developed Countries, one of the government functions that suffered neglect and decline in the era of public sector parsimony was the collection of adequate, timely and reliable economic and social data, both at the national level and disaggregated by region, gender or other sub-groups of the population. **Governments of Least Developed Countries should undertake, with the assistance of their development partners, statistical capacity-building to strengthen their ability to assess needs, to formulate and implement development policies and programmes and to monitor the results.**

3. Peace and security

43. **A priority for Least Developed Countries that remain embroiled in conflict and for the international community must be to secure durable peace within the country. As part of the international focus on the poorest countries, the United Nations Peacebuilding Commission should consider giving particular attention to Least Developed Countries in, or recovering from, conflict. In the case of post-conflict Least Developed Countries, the international community should not only provide short-term peacekeeping and humanitarian assistance but also make long-term commitments to peacebuilding in order to ensure that, contrary to several past cases, violence does not return. Because of their susceptibility to conflict, global efforts to reduce the availability of small arms should give special attention to the Least Developed Countries, including those where stability prevails.**

4. Gender mainstreaming

44. Countries have yet to make full use of the potential contribution that women make to their development, and women usually do not share equally in the fruits of development. These imbalances are particularly disturbing in the Least Developed

Countries where there is an acute shortage of resources and where women should be the primary target of efforts to reduce poverty, because they constitute a disproportionately large number of the poor.

45. **Least Developed Countries should fully mainstream gender into their development strategies, policies, programmes and projects. Gender-mainstreaming should apply to all age groups, at all levels of society and in both the public and the private sectors. Women's interests and concerns should be fully and explicitly integrated into the design, implementation, monitoring and evaluation of all development activities, and women should participate fully and equally in all these processes. Gender-disaggregated data and information should be assembled to facilitate these activities.**

46. **All Least Developed Countries should adopt and fully implement all international norms and instruments relating to women, especially the Convention on the Elimination of All Forms of Discrimination against Women and its Optional Protocol. At the national level, Governments should adopt laws and enforcement mechanisms that promote gender equality and that place the rights of women on a par with those of men. Both women and men should have full access to justice and redress for violations of their human rights and the Government should disseminate information about laws, regulations and means of protection and redress for gender discrimination.**

5. Increasing productive capacity through investment in infrastructure

47. The Brussels Programme calls for the rate of investment in Least Developed Countries to be raised to 25 per cent and attaches particular importance to investment in infrastructure, including social infrastructure. However, the increase in investment in most Least Developed Countries has been marginal, with the average remaining about 20 per cent, and infrastructure remains inadequate. **As part of the effort to build supply capacity and address supply-side constraints, both the Least Developed Countries and their development partners, including the private sector, should strive to increase investment in physical infrastructure, including for social purposes.**

48. Transportation and communications infrastructure is poor in most Least Developed Countries. For many years, there has been little improvement, and frequently deterioration, because of lack of funding for maintenance, in roads, railways, postal systems and air services, with rural areas being the most disadvantaged. Effective internal transport systems are necessary as part of the effort to provide producers with access to larger markets for their goods and to ensure that consumers everywhere benefit from easier access to a wider range of goods and services, including such public services as health and education. For landlocked Least Developed Countries, the problem of poor transportation and communications is frequently aggravated by inefficient transit arrangements. **Most Least Developed Countries need more effective transportation networks, both within and between countries. Investment in physical facilities needs to be complemented by more efficient management and transit systems.**

49. Most Least Developed Countries have insufficient supplies of the energy necessary to accelerate development and reduce poverty. **Least Developed Countries should increase their investment not only in electric generating capacity but also in transmission and distribution to ensure that energy reaches**

the poor, particularly in rural areas. Greater efforts should be made to use renewable energy. Other developing countries in a position to do so should assist Least Developed Countries in developing their energy sector by providing access to technologies and to their own experience in financing and managing the energy sector.

50. In the social sectors, efforts to meet immediate needs through improvements in the provision of services have received priority over improvements in infrastructure. The quantity and quality of schools, medical centres and similar facilities remain inadequate in most Least Developed Countries, particularly in rural areas. Similarly, efforts to improve access to water and sanitation have been concentrated on providing safe water in urban areas. **There remains an acute need for investment to increase education and health facilities, to provide safe water to rural areas and to improve sanitation throughout the Least Developed Countries. The financing of these infrastructure needs can be met from a variety of sources. Development partners should allocate additional resources to long-term investment in infrastructure in the Least Developed Countries. At the same time, the Least Developed Countries should adopt measures to encourage domestic savings and to increase the mobilization of domestic financial resources for such purposes, including through improved financial intermediation and more comprehensive taxation. Meeting a country's infrastructure needs should not be regarded as solely a public responsibility. Particularly in transport, communications and energy, the private sector or public-private partnerships can be considered for this purpose. All such arrangements, however, require an effective system of public oversight and regulation to ensure adequate service, reasonable prices and the necessary maintenance of infrastructure.**

6. Agriculture and rural development

51. Notwithstanding continuing rural-urban migration, the majority of the population in the Least Developed Countries lives in rural areas, remains dependent on agriculture for a livelihood and accounts for a disproportionately large number of the poor. Most evidence suggests that rural poverty is not yet declining, perhaps because the rural sector has suffered relative neglect in most Least Developed Countries. **Both Least Developed Countries and development partners should give special attention to agricultural and rural development and to reducing rural poverty, including through such immediate measures as providing improved seeds and fertilizers. National development strategies should aim to stimulate investment in rural areas, including by increasing the availability of credit to farmers, small businesses and the rural poor, including through the strengthening of microfinance institutions.** As proposed by the World Summit,[9] **development partners should support long-term rural development through, among other measures, trade-capacity building and commodity development projects. As also called for by the World Summit, Least Developed Countries in Africa should strive to achieve an African "Green Revolution" by implementing the Comprehensive Africa Agricultural Development Programme prepared under the auspices of New Partnership in Africa's Development; development partners should also support this effort.**

[9] General Assembly resolution 60/1, para. 46.

7. Managing the benefits from the exploitation of natural resources

52. If present global market conditions persist, the exploitation of natural resources could offer great potential for several Least Developed Countries, but it also poses risks. In a number of Least Developed Countries, higher oil and minerals earnings have already boosted government revenues and raised the possibility of ineffective or inflationary government expenditure. At the same time, increased foreign currency receipts may cause the exchange rate to appreciate, putting other export sectors at a disadvantage in world markets. Oil and mineral prices are also volatile and may decline substantially in the future, possibly creating a boom-bust situation. Finally, mineral exploitation has to be viewed from a long-term perspective. **To address such concerns, Governments of Least Developed Countries rich in natural resources should:**

(a) Address the macroeconomic consequences of their new-found wealth;

(b) Ensure that the exploitation of their mineral resources does not put other sectors of the economy at risk;

(c) Use their revenues from mineral exploitation effectively and equitably and in a way that contributes to a reduction in poverty;

(d) Establish counter-cyclical stabilization arrangements to neutralize the impact of fluctuations in international commodities markets on government revenue and export earnings;

(e) Exercise responsibility with respect to the country's future by ensuring that exploitation is undertaken in an environmentally sustainable manner and by establishing a mechanism that will provide some of the benefits derived from the depletion of the country's natural resources to succeeding generations.

8. HIV/AIDS

53. Since the adoption of the Programme, the means of controlling and treating HIV/AIDS have expanded and improved and substantial additional donor resources have been committed to HIV/AIDS activities in developing countries. Evidence indicates that a robust political commitment, particularly among the country's leadership, is essential for a successful national HIV/AIDS prevention programme. **Governments in all Least Developed Countries that have not yet done so, including those where the disease has not yet reached pandemic proportions, should urgently adopt and implement a comprehensive national programme to halt and reverse the spread of HIV/AIDS. In order to reduce the transmission of HIV/AIDS, Governments should devise plans, with target dates, to ensure that reproductive and sexual health services are able to provide universal access to information, education and counselling regarding HIV and other sexually transmitted diseases. Reproductive health care services should include HIV testing and the supply and distribution of means to prevent transmission, including anti-retroviral drugs and infant-feeding counselling during and after pregnancy for women living with HIV/AIDS.** In addition to prevention, international assistance for the treatment of HIV/AIDS in developing countries is beginning to become available in meaningful amounts. As part of their needs-based strategies, **Governments of Least Developed Countries should therefore devise plans and programmes aiming to make HIV treatment available to all afflicted**

by the disease. Attention should also be given to reducing the vulnerability of persons indirectly affected by the disease, in particular orphaned and vulnerable children and older persons.

B. Regional cooperation

54. Regional cooperation and integration are vital for the economies of the Least Developed Countries and can be accomplished through bilateral or multilateral arrangements among countries. There are several such arrangements already in place in Africa and Asia and the Pacific regions, such as the African Union, Southern African Development Community, Economic Community of West African States, East African Community, South Asian Association for Regional Cooperation, Association of Southeast Asian Nations and the Pacific Islands Forum. These arrangements need to be expanded, revitalized or made more effective to take into account the Brussels Programme and its implementation. In this context, the United Nations regional commissions, along with the United Nations resident coordinator system, can provide assistance and guidance where necessary. In addition, intergovernmental regional and subregional bodies can play critical roles in determining the success of regional cooperation and integration.

55. At the project level, Least Developed Countries should give greater attention to the possibility of joint ventures among subgroups of Least Developed Countries and with other developing countries, especially with neighbouring countries and in activities where there are economies of scale. Such possibilities range from energy and transport systems to trade and transit arrangements between neighbouring countries to centralized research and development pertaining to development challenges that are especially relevant to the Least Developed Countries, e.g., in agriculture.

C. South-South cooperation

56. The Least Developed Countries should continue to receive special attention in South-South cooperation. Developing countries should welcome relevant Least Developed Countries into regional cooperation arrangements and activities and give them special consideration where appropriate. Higher-income developing countries should adopt measures akin to those that the group of developing countries advocates for the developed countries. For example, developing countries in a position to do so, particularly those benefiting from the strength in commodity markets, including oil, and the larger economies, should consider expanding the support that some already provide to the Least Developed Countries. In some cases, such assistance can be provided in kind, in the form of technical assistance or other inputs. Because of the structural disadvantages and other development challenges of Least Developed Countries, other developing countries should consider extending special and differential treatment to them in international trade, such as duty- and quota-free access to their markets, as some of them already have.

D. Global level

1. Official development assistance

57. **Development partners should fully recognize recipient country ownership of development policies. Official development assistance (ODA) should be sufficient to ensure that all Least Developed Countries that pursue the policies and actions identified in the Brussels Programme, the Monterrey Consensus and related undertakings are able to achieve the internationally agreed development goals, including the MDGs and goals in the Brussels Programme. To this end, all donor countries should honour their recent pledges to increase their ODA and donor countries that have not yet done so should strive to ensure that their ODA to the Least Developed Countries reaches 0.15-0.20 per cent of their GNI. ODA programmes should have a long-term perspective and ODA flows should be correspondingly more continuous, predictable and assured. The content, as well as the quantity, of aid programmes should accord with each Least Developed Country's own estimate of its needs; donors should avoid prescribing development modes, policies or actions, either directly or through conditions attached to their support.**

58. The international community has several mechanisms for coordination and cooperation in the implementation of assistance programmes at the country level, including the Poverty Reduction Strategy Paper, the United Nations Development Assistance Framework (UNDAF), the common country assessment (CCA) and bilateral assistance mechanisms. This pluralism of mechanisms, together with a multitude of different aid procedures, is overburdening the limited Government capacity in Least Developed Countries. **Donors should continue their efforts to improve the effectiveness of ODA, including by accepting the recipient country's own development strategy as a basis for their assistance, streamlining their own procedures and reducing the administrative burden on recipient countries. The use of quantitative targets to monitor progress in this area should be pursued.**

2. External debt

59. **Progress with external debt relief should be continued, so that the debts of all Least Developed Countries are reduced to levels that prevent their being an impediment to development. All eligible Least Developed Countries should be provided with the debt relief envisioned under the Enhanced Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative as soon as possible. Creditors should correspondingly ensure that all the necessary financial commitments are met. In order to ensure that excessive indebtedness does not return, future external assistance to these countries, from both traditional donors and others, should be provided on a grant basis. In addition, Least Developed Countries should ensure that they have in place an effective debt management system and the international financial institutions should refine the methodology for determining debt sustainability in the Least Developed Countries.**

3. Trade

60. It is generally recognized that, notwithstanding any special measures for the Least Developed Countries, the more advanced countries will be the main beneficiaries among the developing countries of the ongoing World Trade Organization (WTO) negotiations, particularly since some existing preferences will be eroded. **In line with the principle of special and differential treatment, non-Least Developed Countries should give attention to measures to enhance the trading prospects of Least Developed Countries, including providing transitional support to the Least Developed Countries when trade barriers are reduced. Efforts should also be made to accelerate accession to the WTO of those Least Developed Countries that have applied for membership. All developed countries should grant duty- and quota-free access to all imports from all Least Developed Countries, without exception, by 2008. They should also reduce, and set a date for eliminating, all non-tariff barriers to exports from Least Developed Countries, including subsidies to their own exports and domestic production. Further efforts should be made to simplify and harmonize rules of origin and trade procedures imposed by developed countries on imports from Least Developed Countries and to make them more transparent and understandable to exporters in Least Developed Countries.**

61. Trade preferences from partner countries will yield results only if there are complementary actions to develop the domestic production of goods and services that can be traded. In addition to domestic actions in specific sectors identified above, **donors should increase support to the development of export capacity through such mechanisms as the enhanced Integrated Framework, the Common Fund for Commodities and the Aid-for-Trade initiative. All stakeholders should contribute to ensuring full implementation of the recommendations of the Task Force on the Integrated Framework; support from the Integrated Framework should be available to all Least Developed Countries. Foreign direct investment can play a role in developing export capacity by providing access to the technologies and markets often required to export successfully.**

4. Global governance

62. **The Least Developed Countries' representation and participation in international financial institutions and multilateral standard-setting bodies should be enhanced as part of the ongoing effort to strengthen the role of developing countries and economies in transition in these areas.**

5. The United Nations system

63. **The United Nations system should sustain its support to the Least Developed Countries by bolstering their capacity to develop and implement national development strategies and by improving its own effectiveness, including through strengthened integration and harmonization of the system's activities within the Least Developed Countries.** In regard to coordination by the United Nations system, although much has been achieved in the past five years, there is a continuing need for support and coordination at the country level, a challenge that will need to be further addressed.

IV. Conclusion

64. **The Brussels Programme should remain the framework for national and international efforts to advance development in the Least Developed Countries. In particular, the partnership that the Brussels Programme embodies must itself be sustained, with mutual recognition of the efforts, successes and challenges of all involved. The focus of attention of this partnership for the balance of the duration of the Brussels Programme must be on the full implementation of the agreed commitments and actions contained in the Brussels Programme and related undertakings, attuned to country circumstances and with special consideration given to the areas identified in the preceding section.**

06-43979